

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 INT-05 GSA-01 SP-02 AID-05 NSC-05

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COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

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EB/ORF/ICD/ISM:WWEINGARTEN

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FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA IMMEDIATE

INFO AMCONSUL PERTH IMMEDIATE

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E.O. 11652, N/A

TAGS: EMIN, AS

SUBJECT: ALUMINA

1. CLARK MACGREGOR, VICE PRESIDENT OF UNITED TECHNOLOGIES (FORMERLY UNITED AIRCRAFT), HAS ASKED DEPT FOR MEETING ON AUGUST 21 TO DISCUSS ASPECTS OF ALUMINA CONTRACT BETWEEN ESSEX INTERNATIONAL, A SUBSIDIARY OF UNITED TECHNOLOGIES, AND ALCOA OF AUSTRALIA. RELEVANT PORTIONS OF LETTER FOLLOW:

2. BEGIN QUOTE: THE CONTRACT PROVIDES FOR PRICE ESCALATION BASED ON ALCOA'S LABOR COST AND CERTAIN MATERIAL COSTS FROM A BEGINNING FIGURE IN 1968 OF DOLS 57.00 PER METRIC TON AND WITH A LIMIT OF DOLS 70.00 PER METRIC TON.

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THE ESCALATION FORMULA EXCEEDED THIS LIMIT FOR SHIPMENTS TO ESSEX IN THE LAST HALF OF 1973, SO THE DOLS 70.00 LIMIT APPLIED THEN AND THROUGH 1974. A SUPPLEMENTAL AGREEMENT APPLYING ONLY TO 1975 SHIPMENTS SET A PRICE OF DOLS 85.00

PER TON. THIS LATTER AGREEMENT SOUGHT BY ALCOA (W.A.) WAS

ON THE BASIS NOT ONLY OF COSTS INCREASING BEYOND THAT COVERED BY THE ESCALATION FORMULA (NOTABLY COST OF FUEL OIL AND CAUSTIC SODA) BUT ALSO TO SET A PRICE THAT WOULD MEET THE APPROVAL OF THE AUSTRALIAN GOVERNMENT.

3. QUOTE: ALCOA (W.A.) IS NOW PRESSING FOR A STILL HIGHER PRICE VIA A CHANGE IN THE ESCALATION FORMULA AND A CAUSTIC SODA SURCHARGE AND STATES AGAIN THE NEED FOR A "WORLD ALUMINA PRICE" TO SATISFY THEIR GOVERNMENT AND INSURE THE GRANTING OF EXPORT PERMITS. THEY INDICATE THIS PRICE TO BE DOLS 110.00 PER METRIC TON FOR 1976, AVERAGE BASIS. ALCOA'S PROPOSED NEW PRICING FORMULA RESULTS IN A PRICE FOR THE FIRST HALF OF '76 OF DOLS 106.00 PER TON, AN INCREASE OF DOLS 21.00 OVER THE 1975 "EMERGENCY" PRICE THAT ESSEX GRANTED.

4. QUOTE: THE PURPOSE OF OUR REQUESTED MEETING WITH YOU IS TO DETERMINE THE EXTENT OF THE AUSTRALIAN GOVERNMENT'S DIRECTION OR CONTROL OF THE CONTRACT PRICE OF ALUMINA INVOLVED IN THEIR GRANTING OF EXPORT PERMITS. NEED ESSEX GRANT EXTRA-CONTRACTUAL PRICE INCREASES TO INSURE THAT ALCOA (W.A.) WILL BE GRANTED EXPORT PERMITS BY THE AUSTRALIAN GOVERNMENT? THAT IS THE QUESTION, AND IF POSSIBLE, WE NEED TO KNOW TO WHAT EXTENT THE AUSTRALIAN MINISTRY IS OR CAN BE INFLUENCED IN THIS REGARD BY THE AUSTRALIAN ALUMINA EXPORTERS. END QUOTE.

5. REQUEST THAT EMBASSY PROVIDE FACTUAL UPDATE ON GOA EXPORT PRICING AND EXPORT CONTROL POLICIES AND THEIR APPLICATION TO ALUMINA FOR USE IN RESPONDING TO MACGREGOR'S QUESTIONS. HOW WOULD SUCH POLICIES TAKE ACCOUNT OF EXISTING CONTRACT BETWEEN ESSEX AND ALCOA? WE WOULD APPRECIATE ANY INFORMATION YOU COULD GIVE, INCLUDING REFERENCES TO PREVIOUS REPORTING STILL CURRENT, BY AUGUST 21, OR IF AT ALL POSSIBLE, BY AUGUST 20. KISSINGER
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